

only access to long distance service and will likely have to make costly central office upgrades or utilize scarce switch capacity to accommodate such a requirement.²⁴ Such costly upgrades could significantly slow the development of competition in local telecommunications markets because new, small entrants would have even higher up-front costs acting as barriers to entry. These added costs could also place upward pressure on the rates LECs charge their end users and their access customers.

Interexchange carriers have market-based incentives to cooperate with customers to ensure that they are satisfied with the service provided. The ability to disconnect local service is an essential tool for common carriers to control fraudulent abuses of the public network, by a very small segment of all end users. It is an option that has been, and will continue to be, utilized only as a "last resort."

VI. Conclusion

MCI advocates that public policies designed to increase subscribership should focus on how to create conditions that produce a wide variety of products and services that today's nonsubscribers will find useful. Increasing the level of utility will maximize products and services that will attract those presently "off"

²⁴ See attached General Counsel's Inquiry Into Questions Regarding Disconnection of Local Telephone Service, AT&T's Initial Comments, Public Utility Commission of Texas, Project 12334, August 15, 1994.

the public network to the public network, in ways that are impossible to predict today. Policymakers need to focus on universal service reform and promoting competition in local telecommunications access markets.

With respect to universal service, the Commission needs to ensure that new entrants will not be locked out of areas receiving subsidies, and that other barriers to entry, such as local number portability, will be eliminated.

Competition has proven an effective tool in increasing utility levels of telecommunications services in the interexchange and CPE markets. There is no evidence which exists that suggests that it would not be equally effective in increasing the utility of local telecommunications markets.

Moreover, before the Commission takes steps that would interfere in the marketplace (i.e., prohibiting local exchange carriers from disconnecting local services to customers who fail to pay long distance charges), the Commission must have evidence that clearly demonstrates why people select not to subscribe to telephone service. Presently, only speculations have been made. In the meantime, the Commission should take two steps. First, it should take action to ensure that existing federal policies (e.g. Lifeline and Link-Up) are reaching the targeted population. Second, the Commission should utilize its forum as a "bully-pulpit" to make sure that all people fully understand the benefits and utility of existing telecommunications services. By so doing, the Commission could increase subscribership to targeted audiences, without increasing the cost of providing telecommunications services.

Respectfully submitted,
MCI TELECOMMUNICATIONS CORPORATION

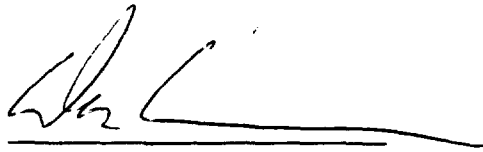
A handwritten signature in black ink, appearing to read 'Don Sussman', with a long horizontal line extending to the right.

Don Sussman
Regulatory Analyst
1801 Pennsylvania Ave., NW
Washington, D.C. 20006
(202) 887-2779

September 27, 1995

STATEMENT OF VERIFICATION

I have read the foregoing and, to the best of my knowledge, information, and belief, there is good ground to support it, and it is not interposed for delay. I verify under penalty of perjury that the foregoing is true and correct. Executed on September 27, 1995.

A handwritten signature in black ink, appearing to read 'Don Sussman', written over a horizontal line.

Don Sussman
1801 Pennsylvania Avenue, NW
Washington, D.C. 20006
(202) 887-2779

CERTIFICATE OF SERVICE

I, Stan Miller, do hereby certify that copies of the foregoing Comments were sent via first class mail, postage paid, to the following on this 27th day of September.

Ernestine Creech**
Accounting and Audits Division
Federal Communications
Commission
2000 L Street, NW
Washington, DC 20554

Andrew Mulitz**
Common Carrier Bureau
Federal Communications
Commission
Room 518
1919 M Street, NW
Washington, DC 20554

Kenneth Moran**
Common Carrier Bureau
Federal Communications
Commission
Room 512
2000 L Street, NW
Washington, DC 20554


Kathleen Wallman**
Chief, Common Carrier Bureau
Federal Communications
Commission
Room 500
1919 M Street, N.W.
Washington, D.C. 20554

Kathleen Levitz**
Common Carrier Bureau
Federal Communications
Commission
Room 500
1919 M Street, N.W.
Washington, D.C. 20554

William Kehoe**
Common Carrier Bureau
Federal Communications
Commission
Room 247
2000 L Street, NW
Washington, DC 20554

International Transcription Service**
Room 246
1919 M Street, NW
Washington, DC 20554

Hand Delivered**


Stan Miller

PROJECT NO. 12334

**INITIAL RECOMMENDATION ON
DISCONNECTION OF LOCAL
SERVICE**

§
§
§

**PUBLIC UTILITY COMMISSION
OF TEXAS**

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COMMENTS OF THE TEXAS TELEPHONE ASSOCIATION

The Texas Telephone Association ("TTA") offers the following comments in response to the Public Utility Commission's ("PUC" or "Commission") Initial Recommendation to Amend Substantive Rules §23.42, §23.43, §23.46 which was released November 14, 1994.

The TTA is an organization representing 57 local exchange carriers ("LECs") certificated by the PUC to provide local exchange service in the State of Texas. TTA wishes to thank the Commission for the opportunity to comment on recommendation.

The rulemaking process is never an easy undertaking. All participating parties have spent collectively hundreds of hours on this project. All parties negotiated in good faith but were unable to develop a compromise proposed rule that both the LECs and IXCs could accept. Once it became evident that no compromise of the initial proposal would be reached, the LECs developed an alternative proposal to address what seemed to be the objectives of the initial proposed rulemaking. This alternative proposal was also supported by the IXCs.

The preamble filed July 15, 1994 with the proposed rule indicates that fostering competition among billing and collection agencies and the customer's ability to retain essential local service even if they are unable to pay for other services are how the public interest will be served by this rule. There seemed to be no clear focus on what group of customers the proposed rule was trying to help or what problem the proposed rule was trying to resolve.

It also indicated that there would be no effect on small businesses and no uncompensated economic cost to persons who are required to comply with the rule. Many TTA members provided affidavits detailing cost estimates to implement the rule as proposed. The costs and time to implement the changes were astoundingly significant and would have a definite impact on the small businesses providing these billing and collection services, as well as their customers. Earlier comments filed by TTA indicated that less than two percent of the customers statewide are disconnected for nonpayment of services. The expenses this rule would require companies to incur is not outweighed by the perceived and unquantified benefit of the rule.

The initial recommendation contains changes from the proposed rule but remains significantly flawed in several respects. The only change in the cost estimates provided by the LECs will be a slight reduction in the anticipated increase in the bad debt percentage. LEC billing systems must still be modified to implement the rule if it is adopted. The problems of multiple deposits, customer confusion (which is not quantifiable), data base development and maintenance, global blocking, inter-company billing and collection arrangements, customer payment separations, partial customer payments, split deposits, payment tracking, and customer service staff training still remain.

The recommended rule places new reporting requirements on the LECs to provide customer information to the IXCs. There is no mention of how the LECs are to recover the cost of implementing these services. It seems reasonable that LECs should be allowed to charge for the additional service which will be provided to the IXCs. TTA continues to question the ability of the PUC to force LECs to provide a service that they do not necessarily want to offer.

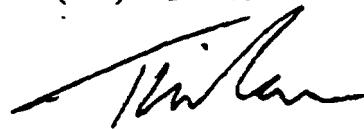
The LEC alternative takes a first step to "delink" the payment of a regulated service from non-regulated services. It protects a specific customer class which may need help in controlling their telephone usage. The alternative does not propose exorbitant, wholesale changes of a system which works fine for 98 percent of our customer base. It goes on to include liberalized deferred payment

arrangements for certain customers who are experiencing hardships and/or for persons no longer on the network, in an effort to make available.

Competition will accrue to the billing and collection market as full competition finds its way to the inter and intraLATA markets. In the meantime, we urge the Commission to carefully consider the impact this rule will have on the LECs and IXCs of Texas and ultimately the customers. We believe the LEC Alternative Plan will serve the public interest in a more effective manner, and we ask that due consideration be given to this proposal.

Respectfully Submitted,

TEXAS TELEPHONE ASSOCIATION
400 West 15th Street, Suite 1005
Austin, Texas 78701
(512) 472-1183

A handwritten signature in black ink, appearing to read "Tim Raven", is written over a horizontal line.

Tim Raven, CAE
President

November 29, 1994



8140 Ward Parkway
Kansas City, MO 64114
Telephone: (913) 624-6428
Fax: (913) 624-5681

Patrick McMahon
Senior Regulatory Attorney

October 19, 1994

Mr. John M. Renfrow
Public Utility Commission of Texas
7800 Shoal Creek Boulevard
Austin, TX 78757

RECEIVED OCT 24 1994

Re: Project No. 12334

Dear Mr. Renfrow:

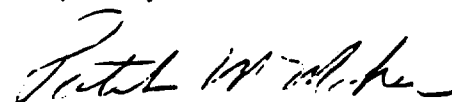
Enclosed for filing, please find the original and 13 copies of the following documents: a) Affidavit of Diane Taylor, Project Leader, External Billing at Sprint; b) Affidavit of John C. Kelfon, Staff Manager, Billing Supplier/Accounts Receivable Management at AT&T; and c) Affidavit of Elaine L. Osborn, Director, Western Region, Local Exchange Carrier Billing and Collection at MCI. These affidavits support the information provided below.

If the Texas Public Utility Commission follows the New York Commission's decision to move away from disconnect for non-payment of toll charges, as proposed in Project No. 12334, the adverse effect on the interexchange industry in Texas would be significant - increasing net bad debt expense in a range between \$31,000,000 to \$44,000,000 per year. A chart summarizing the projected impact on the IXC industry in Texas using each of the three largest interexchange carriers' incremental increase in net bad debt expense in New York, is as follows:

	<i>Incremental Increase</i>	<i>Incremental Effect</i>
MCI	1.63%	\$31,785,000
AT&T	2.17%	\$42,318,000
Sprint	2.28%	\$44,460,000

Thank you for your assistance in this matter.

Respectfully submitted,


Patrick McMahon

PEM/rsm
Encl.

cc: Chairman Gee
Commissioner Rabago
Commissioner Goodfriend
Joyce Gonzalez, Esq.
Meena Thomas

BEFORE THE PUBLIC UTILITY COMMISSION OF TEXAS

**IN THE MATTER OF 16 TAC SECTION 23.42,
SUBSTANTIVE RULES CONCERNING REFUSAL
OF SERVICE, AND 23.43, SUBSTANTIVE RULES
CONCERNING CUSTOMER DEPOSITS, AND
23.46, SUBSTANTIVE RULES CONCERNING THE
DISCONNECTION OF LOCAL SERVICE**

PROJECT NO.

12334

AFFIDAVIT OF DIANE TAYLOR

STATE OF MISSOURI)
COUNTY OF JACKSON)

I, Diane Taylor, being of lawful age, being first duly sworn, affirm that the following is true and correct:

1. I am employed by Sprint Communications Company L.P. (Sprint). My title is Project Leader, External Billing. My business address is 903 E. 104th St., Kansas City, MO 64131. In my employment capacity, I am responsible for serving as a subject matter expert to projects related to local exchange carrier (LEC) billed revenues and LEC billing and collection processes. In my employment capacity, I am familiar with Sprint's billing and collection practices and experiences in Texas as well as other states throughout the country.

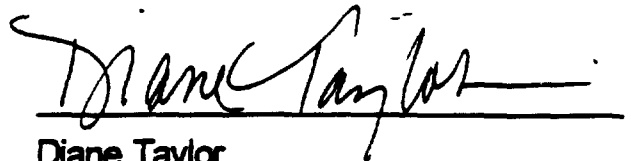
2. I am familiar with the Texas Public Utility Commission's proposed rulemaking in Project No. 12334, which would prohibit local exchange carriers (LECs) from disconnecting a customer's local exchange service for non-payment of non-local exchange services, such as interexchange services, and implement global blocking in place of what Sprint refers to as full service denial (FSD), i.e., the denial of local dial tone.

3. I am familiar with the effect that proposals in other states, similar to the proposal in Project No. 12334, have had on Sprint's net bad debt. For example, in the

state of New York, where the industry had experienced a change from full service denial to a non-full service denial status, Sprint's overall uncollectible rate increased by 2.28%

4. Assuming the interexchange industry in Texas experiences a percentage increase similar to those in New York, net bad debt for the interexchange industry in the state of Texas would increase by approximately \$44,460,000. The basis of Sprint's calculations is a letter dated October 13, 1994 from Kim Williams at Southwestern Bell Telephone Company to Diane Taylor at Sprint showing \$1,299,684,991 of revenue for the period of January 1 through August 31, 1994. ($1,299,684,991 \div 8 \times 12 = \1.95 billion annually - $\$1.95$ billion annually $\times 2.28\%$ increase = \$44,460,000.)

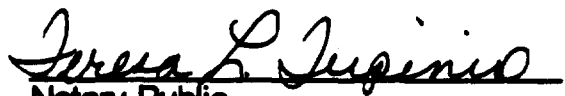
Further, affiant sayeth not.


Diane Taylor

State of Missouri)
)
County of Jackson)

I hereby certify that on the 19 day of October, 1994, before me, a notary public of the State of Missouri, personally appeared Diane Taylor and made her affirmation in due form of law that the matters and facts set forth in the Affidavit are true.

As witness my hand and notarial seal.


Notary Public

My Commission expires:

January 26, 1996



"The One to Call On".

St. Louis, October 13, 1994

DIANE TAYLOR (SPRINT):

I apologize for the informal letter but wanted to quickly provide you with the uncollectible information you requested. Year to date (through August 1994) total IXC uncollectibles in Texas are \$32,423,121; billed revenue for IXC's was \$1,299,684,991 so the uncollectibles are running 2.5%. SWBT's year to date uncollectibles are \$21,617,649. For 1993, total uncollectibles in TX (SWBT & IXC combined) were \$89,390,210 and this year we are about \$4 million ahead of last year at this time.

Hopefully these figures will enable you to provide some information to the PUC regarding your expectations of increases if the rule is implemented. If you have questions, I can be reached at 314-235-9855.

A handwritten signature in cursive script, appearing to read "Kim Williams".

Kim Williams

SWBT
Area Manager-Product Management
Billing & Collections

CC: Becky Antey

PROJECT NO. 12334

IN THE MATTER OF	§	PUBLIC UTILITY COMMISSION
16 TAC SECTION 23.42,	§	
23.43 AND 23.46	§	OF TEXAS

AFFIDAVIT OF JOHN C. KELTON

STATE OF NEW JERSEY §

COUNTY OF SOMERSET §

I, John C. Kelton, being of lawful age, being first duly sworn, affirm that the following is true and correct:

1. I am employed by AT&T Corporation. My title is Staff Manager, Billing Supplier/Accounts Receivable Management (BS/ARM). My business address is Room A2145, 131 Morristown Road, Basking Ridge, New Jersey 07920. In my employment capacity, I am responsible for tracking and reporting Net Bad Debt (NBD) performance for AT&T revenues billed and collected by local exchange companies such as Southwestern Bell Telephone Company and GTE of the Southwest, Inc. I am also familiar with AT&T and LEC practices and experiences in other parts of the United States.

2. I am familiar with the Commission's proposed rulemaking in Project No. 12334 which would prohibit LECs from disconnecting a customer's local exchange service for non-payment of non-local exchange services, such as interexchange services, and implement global blocking in place of what AT&T refers to as disconnect for non-pay (DNP).

3. I am personally familiar with the impact that the elimination of denial for non-payment has had on AT&T's NBD performance on states where

denial for non-payment has been eliminated. For example, in the State of New York, where DNP has been lost, AT&T's overall net bad debt rate increased by 2.17 percent.

4. Assuming the interexchange carrier industry in Texas experienced a similar percentage increase in net bad debt, given a current industry-wide interchange revenue base of approximately \$1.950 Billion annually, net bad debt for the interexchange carrier industry would increase by approximately \$42.3 Million. Based on my experience, I believe this to be a reasonable approximation for Texas.

I hereby swear and affirm that the foregoing statements are true and correct.


JOHN C. KELTON

Sworn and subscribed before me this 17 day of October, 1994.


Notary Public in and for
the State of New Jersey

My commission expires: _____
JOAN T. CALLAHAN
NOTARY PUBLIC OF NEW JERSEY
MY COMMISSION EXPIRES JULY 21, 1998

PROJECT NO. 12334

IN THE MATTER OF
16 TAC SECTION 23.42,
23.43 and 23.46

§
§
§

PUBLIC UTILITY COMMISSION

OF TEXAS

AFFIDAVIT OF ELAINE L. OSBORN

STATE OF COLORADO

§

COUNTY OF DENVER

§

I, Elaine L. Osborn, being of lawful age, being first duly sworn, affirm that the following is true and correct:

1. I am employed by MCI Telecommunications Corporation (MCI). My title is Regional Director, LEC Billing and Collections. My business address is 707 17th Street, Suite 4200, Denver, CO 80202. In my employment capacity, I am responsible for tracking and reporting Net Bad Debt (NBD) performance for MCI revenues billed and collected by local exchange carriers (LEC) such as Southwestern Bell Telephone Company and GTE Southwest, Inc. I am also familiar with MCI and LEC practices and experiences in other parts of the United States.

2. I am familiar with the Commission's proposed rule making in Project No. 12334 which would prohibit LECS from disconnecting a customer's local exchange service for non-payment of non-local exchange services, such as interexchange carrier toll services, and implement global blocking in place of what MCI refers to as disconnect for non-pay (DNP).

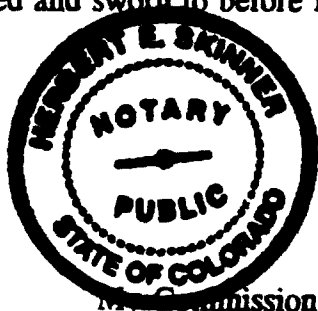
3. I am personally familiar with the impact that the elimination of denial for non-payment has had on MCI's NBD performance in states where denial for non-payment has been eliminated. For example, in the State of New York, where DNP has been lost, MCI's overall net bad debt rate increased by 1.63 percent.

4. Assuming the interexchange carrier industry in Texas experienced a similar percentage increase in net bad debt, given a current industry-wide interexchange revenue base of approximately \$1.950 Billion annually, net bad debt for the interexchange carrier industry could increase by approximately \$31.8 Million. Based on my experience, I believe this to be a reasonable approximation for Texas.

I hereby swear and affirm that the foregoing statements are true and correct.

Elaine L. Osborn
Elaine L. Osborn

Subscribed and sworn to before me this _____th day of October, 1994.



Herbert E. Skinner
Notary Public

My Commission Expires: 5-17-98